UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION

IN RE: hhgregg, Inc., *et al.*,[1] Debtors.	CASE NO. 17-01302-RLM-11 (Joint Administration Requested)

UNITED STATES TRUSTEE'S LIMITED OBJECTION TO DEBTORS' FIRST DAY MOTION FOR ENTRY OF ORDERS (A) AUTHORIZING THE DEBTORS TO PAY AND HONOR CERTAIN PREPETITION WAGES, BENEFITS AND OTHER COMPENSATION OBLIGATIONS AND (B) AUTHORIZING AND APPROVING THE PAYMENT OF CERTAIN AMOUNTS IN CONNECTION WITH THE DEBTORS' STORE CLOSING SALES, AND (C) AUTHORIZING FINANCIAL INSTITUTIONS TO HONOR AND PROCESS CHECKS AND TRANSFERS RELATED TO SUCH OBLIGATIONS

In support of her Limited Objection (the "Objection") to the Debtors' First Day Motion For Entry Of Orders (A) Authorizing The Debtors To Pay And Honor Certain Prepetition Wages, Benefits And Other Compensation Obligations And (B) Authorizing And Approving The Payment Of Certain Amounts In Connection With The Debtors' Store Closing Sales, And (C) Authorizing Financial Institutions To Honor And Process Checks And Transfers Related To Such Obligations ("Wage Motion") Nancy J. Gargula, the United States Trustee for Region 10 (the "U.S. Trustee"), by and through her undersigned counsel, states as follows:

1. This Court has jurisdiction to hear this Objection under 28 U.S.C. §§ 157 and 1334.

[1] The debtors in these cases are hhgregg, Inc., Gregg Appliances, Inc., and HHG Distributing LLC. The debtors have requested that the three cases be jointly administered. *See* Docket in cases 17-01302-RLM-11, 17-01303-RLM-11 and 17-01304-RLM-11.

2. Pursuant to 28 U.S.C. § 586, the U.S. Trustee is charged with the administrative oversight of cases commenced pursuant to chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). This duty is part of the U.S. Trustee's overarching responsibility to enforce the bankruptcy laws as written by Congress and interpreted by the courts. *See United States Trustee v. Columbia Gas Sys., Inc.* (*In re Columbia Gas Sys., Inc.*), 33 F.3d 294, 295-96 (3d Cir. 1994) (noting the U.S. Trustee has "public interest standing" under 11 U.S.C. § 307, which goes beyond mere pecuniary interest).

3. Under 11 U.S.C. § 307, the U.S. Trustee has standing to be heard on any issue in any case or proceeding, including with regard to this Objection.

BACKGROUND

4. On March 6, 2017, the Debtors filed voluntary petitions for relief under chapter 11 of Title 11 of the Bankruptcy Code.

5. An official committee of creditors has not yet been appointed in this case.

6. The Debtors have continued in possession of their properties and have continued to operate and maintain their business as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

7. Concurrently with the Wage Motion, the Debtors have filed certain other motions and applications also seeking certain "first day" relief on an emergent basis, including multiple other motions seeking authority to pay pre-petition obligations at the outset of these cases. Included in the "first day" motions is the Motion for Interim and Final Orders (I) Authorizing the Debtors to

Assume the Consulting Agreement, (II) Authorizing and Approving the Conduct of Store Closing Sales, With Such Sales to Be Free and Clear Of All Liens, Claims, and Encumbrances, (III) and Granting Related Relief ("Store Closing Motion") (Docket No. 14), to which the U.S. Trustee has filed her Objection.

8. The Debtors have also filed the Declaration of Kevin J. Kovacs In Support Of Chapter 11 Petitions and Requests for First Day Relief (the "Kovacs Declaration") (Docket No. 19).

ARGUMENT

9. The U.S. Trustee has concerns with two aspects of the Wage Motion.

10. First, because the U.S. Trustee has substantial objections to the Store Closing Motion, the U.S. Trustee objects to the payment of the Store Closing Bonuses, which are part of the implementation of the Store Closing Motion. Granting of the Wage Motion with respect to the Store Closing Bonuses should be denied or deferred until such time as the Debtors' address the significant issues related to the Store Closing Motion and the Court authorizes the Debtors to go forward with the Store Closing procedures.

11. Second, while the Debtors' represent in the Motion that they do not seek authority to make payments under their Executive Performance Incentive Program at this time, the U.S. Trustee reserves the right to object at such later time, as warranted, to any such request.

12. The U.S. Trustee submits that approval of the Wage Motion need not be granted on an emergent, First Day basis, on inadequate notice to creditors and parties in interest, and with less than 24 hours' time for creditors and parties in interest to consider the Wage Motion, and to file responses and objections with the Court. Accordingly, at a minimum, the Court should grant any relief in connection with the Wage Motion on an interim basis only, with opportunity for creditors and parties in interest to object and participate in a final hearing, in the event objections are filed.

Date: March 7, 2017

Respectfully submitted,

NANCY J. GARGULA
United States Trustee

By: */s/ Ronald Moore*
Ronald Moore
Assistant United States Trustee

Office of the United States Trustee
101 W Ohio Street, Room 1000
Indianapolis, IN 46204
(317) 226-6268
Ronald.Moore@usdoj.gov

CERTIFICATE OF SERVICE

I hereby certify that on March 7, 2017, a copy of the foregoing *Objection* was filed electronically. Notice of this filing will be sent to the following parties through the Court's Electronic Case Filing System. Parties may access this filing through the Court's system.

Wendy D. Brewer on behalf of Creditor Haier US Appliance Solutions, Inc.
wbrewer@jensenbrewer.com, info@jeffersonbrewer.com

Kayla D. Britton on behalf of Creditor GACP Finance Co., LLC
kayla.britton@faegrebd.com,
rachel.jenkins@faegrebd.com;sarah.herendeen@faegrebd.com

Kayla D. Britton on behalf of Creditor Wells Fargo Bank, National Association
kayla.britton@faegrebd.com,
rachel.jenkins@faegrebd.com;sarah.herendeen@faegrebd.com

Sarah Lynn Fowler on behalf of Debtor hhgregg, Inc.
Sarah.Fowler@icemiller.com, Kathy.chulchian@icemiller.com

Ronald E Gold on behalf of Creditor Washington Prime Group Inc.
rgold@fbtlaw.com, awebb@fbtlaw.com;eseverini@fbtlaw.com

Terry E. Hall on behalf of Creditor GACP Finance Co., LLC
terry.hall@faegrebd.com,
sharon.korn@faegrebd.com;sarah.herendeen@faegrebd.com

Terry E. Hall on behalf of Creditor Wells Fargo Bank, National Association
terry.hall@faegrebd.com,
sharon.korn@faegrebd.com;sarah.herendeen@faegrebd.com

Jeffrey A Hokanson on behalf of Debtor hhgregg, Inc.
jeff.hokanson@icemiller.com, leslie.redman@icemiller.com

Jay Jaffe on behalf of Creditor GACP Finance Co., LLC
jay.jaffe@faegrebd.com,
sarah.herendeen@faegrebd.com;rachel.jenkins@faegrebd.com

Jay Jaffe on behalf of Creditor Wells Fargo Bank, National Association
jay.jaffe@faegrebd.com,
sarah.herendeen@faegrebd.com;rachel.jenkins@faegrebd.com

Jonathan Marshall on behalf of Creditor Wells Fargo Bank, National Association
jmarshall@choate.com

Rachel Jaffe Mauceri on behalf of Debtor hhgregg, Inc.
rachel.mauceri@morganlewis.com

Sean Monahan on behalf of Creditor Wells Fargo Bank, National Association
smonahan@choate.com

John Ventola on behalf of Creditor Wells Fargo Bank, National Association
jventola@choate.com

I further certify that on March 7, 2017, a copy of the foregoing *Objection* was mailed by first-class U.S. Mail, postage prepaid, and properly addressed to the following:

None

/s/ Ronald J. Moore
Ronald J. Moore
Assistant United States Trustee